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CENTRAL INTELLIGENCE AGENCY

INFORMATION REPORT

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COUNTRY	China	REPORT NO.	<input type="text"/>	25X1A
SUBJECT	Chinese Communist Control of Private Enterprise	DATE DISTR.	12 November 1953	
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25X1 EVALUATIONS IN THIS REPORT ARE DEFINITIVE.
 25X1X THE APPRAISAL OF CONTENT IS TENTATIVE.
 (FOR KEY SEE REVERSE)

1. In early May 1953 there was almost no chance for development of private enterprises in Communist China in the larger cities such as Canton, Shanghai, and Nanking. The only enterprises which could develop were government-owned firms, firms owned jointly by the government and private individuals, or import-export firms.¹
2. In mid-June 1953 the Canton authorities were sending trained accountants to factories and shops to handle the necessary accounting. Although these accountants were sent to the firms and shops on a permanent basis, another accountant visited each shop every ten days in order to examine the accounts. By means of this system, the government had accurate records of the gross and net profits made by many of the business establishments in Canton.² Of the net profit, only 40 percent was left to the merchants, while the rest was taken over by the government and used for military and construction purposes.

25X1A 1. Comment. The Hua Chiao Jih Pao reported on 23 January 1953 that in the last two weeks of December 1952, 300 private industrial and commercial firms in Canton had applied to the Communist Bureau of Commerce and Industry for permission to close down, all giving insolvency as the reason.

25X1A Comment. In contrast to this report, several articles in the Chinese Communist press and the pro-Communist Hong Kong press have indicated that private business was doing very well in China at the end of 1952. For example, an article in the pro-Communist 1953 Economic Yearbook published at Hong Kong on 5 February 1953 stated that over 500 new factories were opened in Canton in the autumn of 1952, and that by the end of October 1952 there was an increase of 2,000 private firms in Canton since December of the previous year.

25X1A 2. Comment. For information on Chinese Communist trade controls in May 1953,

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